

DFO - 1307  
Copy 8 of 11  
December 15, 1958

MEMORANDUM FOR: Chief, Industrial Audit Branch  
Room 2724, [REDACTED]

SUBJECT: System Survey Report - [REDACTED]

1. Pursuant to your informal request there is attached an enclose copy of subject report dated 3 December 1958. This report shows that the survey was performed by the Department of the Air Force but for your information the Air Force auditor is assigned to this activity and it is doubtful that a copy of this release was filed with the USAF. If you desire to ask any question of the auditor with respect to this report the question should be directed to the undersigned for development.

2. Even though this audit report does not so state the [REDACTED] will likely be increasing its staff (currently numbering 14) in the very near future to permit handling increased work load. The company is currently operating at a burden rate of [REDACTED] of direct labor dollars. The addition of one direct labor type employee however, would likely fluctuate this percentage by several points. Any contract undertaking in my view should establish a burden rate in such a manner that it would be for progress payments only and could be readily adjusted upward or downward at the request of either party. This would guard against the company being paid either too much or too little as the contract is in progress.

3. As you are aware for the reason enumerated above, any percentage factor employed in arriving at a profit element should be carefully considered.

4. In conclusion it is my desire to advise you that we feel quite confident the [REDACTED] will make every possible effort to adjust the deficiencies in their management and/or accounting processes. The Contracting Officer is forwarding a copy of this report to [REDACTED] in the next few days.

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Controller, DFO/DCI

Attachment: c/s

Dist: 0 & 1 - Addressee w/att  
3 - Security (Coord)  
4 - TJD (w/att)  
5 - Contracting Officer  
6 - [REDACTED]  
7 - 9 - [REDACTED] (See TJD for  
cy of SRA)  
10 - [REDACTED] (Finance)  
11 - Chrono  
12 - [REDACTED] 1098

COOED:

Security

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